

TOWN OF ARLINGTON
CAPITAL PLANNING COMMITTEE

Update to Report to Town Meeting

May 7, 2021

Please also view the 5-minute recorded video presentation of the full Report to Town Meeting, “Warrant Article 56: Capital Budget – Town Meeting 2021,” at acmi.tv/townmeeting

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1. Executive Summary

In March 2021, bids received for the Department of Public Works (DPW) Yard project exceeded the \$38.93 million construction budget authorized by Town Meeting. The Permanent Town Building Committee (PTBC) has requested an increase to the budget of **\$5,416,470**. Details are below (*Figure 1*) and in the separate presentation, “DPW Project Architect’s Presentation.”

The increase would be paid by increased bond issuance and affects only Section 5 of Article 56, the Capital Budget Vote for Fiscal Year 2022. The administratively updated version of Section 5 immediately follows. Please note that Town Meeting is voting specifically on the FY22 Capital Budget.

Debt service on the additional borrowing would be paid starting in FY23 and therefore affects the “out-years” of the Capital Plan. Because the size of the Capital Plan is capped by the “5% Rule,” this increased debt service will force us to make tradeoffs – other items in the Plan will be cut, reduced, or delayed. We explain what adjustments we have made to keep the Capital Plan within the limit (*Table 1*).

This update concludes with a number of questions we have received and our answers.

The Permanent Town Building Committee approved this proposed budget increase on April 20 (unanimous); the Capital Planning Committee, on April 29 (unanimous); and the Finance Committee, on May 5 (13-4-0).

The Capital Planning Committee’s view is that the DPW Yard project, including the budget increase, is a key and urgent undertaking by the Town. We respectfully request your approval of Article 56.

Sincerely,
Timur Kaya Yontar
Chair, Capital Planning Committee

2. **Administrative Update to Section 5 of Article 56: Capital Budget Vote**
(deletions struck; insertions bolded and underlined)

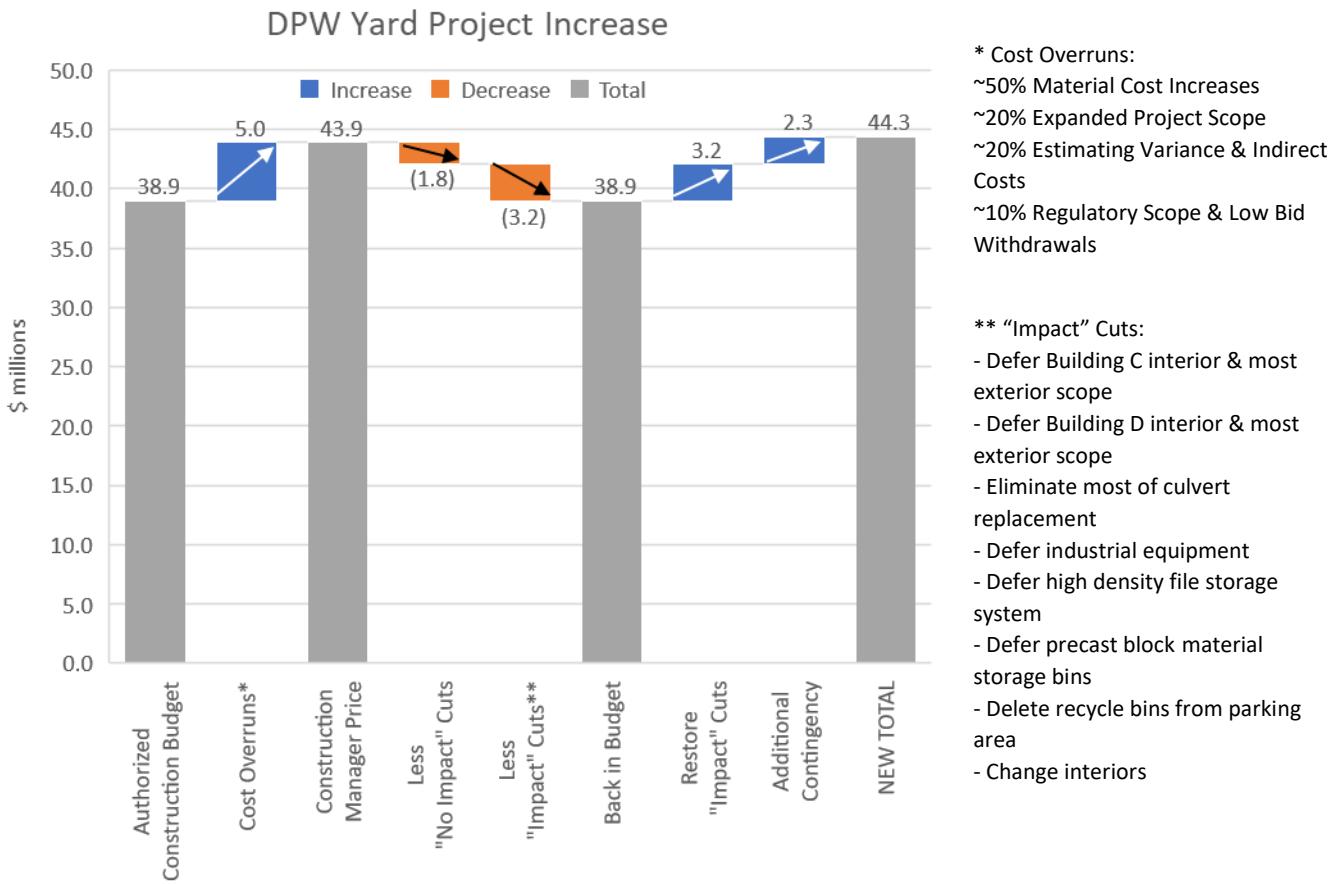
(5) That the sum of \$790,000 **\$6,206,470** be and hereby is appropriated for extraordinary repairs to public facilities, acquisition of land and the purchase and installation of equipment and for costs incidental and related thereto as follows:

Item	General Fund	<u>Water/Sewer Enterprise Fund</u>	<u>Total</u>	Project	Department
1	\$ 100,000		<u>\$100,000</u>	Parmenter School Exterior Repairs	FACILITIES
2	\$ 140,000		<u>\$140,000</u>	33,000 GVW Dump Truck w-Plow	PUBLIC WORKS HIGHWAY
3	\$ 300,000		<u>\$300,000</u>	Whittemore Park upgrades	REDEVELOPMENT BOARD
4	\$ 100,000		<u>\$100,000</u>	Bus #108 - 53 passenger bus	SCHOOLS
5	\$ 150,000		<u>\$150,000</u>	Engineering Study	SCHOOLS
<u>6</u>	<u>\$4,143,600</u>	<u>\$1,272,870</u>	<u>\$5,416,470</u>	<u>DPW Building</u>	<u>PUBLIC WORKS</u>
	\$790,000 <u>\$4,933,600</u>	<u>\$1,272,870</u>	<u>\$6,206,470</u>	Total	

and that the Treasurer, with the approval of the Select Board, is hereby authorized to borrow not exceeding the sum of \$790,000 **\$6,206,470** under and pursuant to M.G.L. Chapter 44 (requires a 2/3 vote), [underlined in original] and any other enabling authority, and to issue bonds or notes of the Town therefor, said sum to be expended under the direction of the Town Manager.

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3. Figure 1: DPW Yard Project Increase



4. Impact on FY22 Capital Budget Vote

The DPW Yard project budget increase totals **\$5,416,470**, a combination of the restored “impact” cuts of **\$3,166,470** and the additional contingency of **\$2,250,000**. The cost overruns were met with a number of “no impact” and “impact” cuts, but the “impact” cuts (*see list next to Figure 1*) would have had severe functional impact on the project, so the budget increase restores them.

Because of the mixed use of the site, **23.5%** of the budget increase is eligible to be paid by the Water & Sewer Enterprise Fund, while **76.5%** will be paid by the General Fund. In dollars, this corresponds to **\$1,272,870** for the Water & Sewer Enterprise Fund, and **\$4,143,600** for the General Fund.

This acquisition expense would be paid by the issuance of bonds, likely to occur in February 2022. Town Meeting would authorize the Town Treasurer to borrow this amount, which has increased in total from **\$790,000** to **\$6,206,470**.

Because debt service on bond issued in February 2022 will not be paid until after the end of Fiscal Year 2022, the increased borrowing will not affect the Fiscal Year 2022 Capital Appropriation, i.e., no other sections of Article 56 need be amended.

5. Impact on FY23–FY26 Capital Plan

The increase in borrowing is projected to cost the Capital Plan approximately **\$230,000** per year in additional debt service starting in FY23, based upon a 30-year term for those bonds given the very long expected lifespan of the rebuilt DPW Yard. Other capital plan item requests totaling that amount will have to be reduced, postponed, or cut in order to not exceed the 5% Rule during the term of those bonds.

Adjustments:

- a. The Capital Plan previously held capacity in FY23–FY26 of a total of **\$950,000** to pay future debt service on possible, but as yet undetermined, School Capital Repairs, pending the results of an engineering study to determine the scope, cost, and timing of such repairs.
- b. For now, we have taken out that capacity, which frees up enough room in the Plan in those four years to cover the debt service increase for the DPW project.
- c. We have also adjusted the timing, but not the total dollar amount, of some roadway and sidewalk repairs to smooth the annual capital outlays to 5%. Specifically, in both FY23 and FY24, **\$100,000** each of roadway and sidewalk repairs have been pushed out to FY25 and FY26.

These changes are reflected in the updated Table 1, below.

6. Table 1: Administrative Update to 5-Year Capital Plan summary

(corresponds to Tables 3 and 4 in full Report to Town Meeting)

**Town of Arlington
Capital Plan FY 2022 - FY 2026**

Fiscal Year	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Prior Non-Exempt Debt Service	\$ 7,063,282	\$6,699,193	\$6,297,226	\$5,730,475	\$5,967,760	\$31,757,937
Cash	\$3,959,297	\$2,753,369	\$3,366,859	\$4,139,241	\$4,151,723	\$18,370,489
New Non-Exempt Debt Service (FY22 & after)	\$0	\$838,108	\$1,064,935	\$1,297,974	\$1,534,024	\$4,735,040
BAN Interest and Principal	\$0	\$0	\$28,750	\$28,750	\$0	\$57,500
Total Non-Exempt Tax Burden	\$11,022,579	\$10,290,670	\$10,757,771	\$11,196,440	\$11,653,506	\$54,920,966
<i>Direct funding sources:</i>						
Rink Enterprise Funds	(\$54,156)	(\$52,056)	(\$50,106)	(\$48,306)	(\$17,247)	(\$221,872)
Ambulance Revolving Fund	(\$97,095)	(\$94,231)	(\$66,742)	(\$139,378)	(\$134,389)	(\$531,835)
Capital Carry Forwards	(\$539,066)					(\$539,066)
Antenna Funds	(\$206,268)	(\$198,584)	(\$192,694)	(\$182,009)	(\$166,891)	(\$946,447)
Urban Renewal Fund	(\$45,744)	(\$44,144)	(\$42,544)	(\$40,944)	(\$34,494)	(\$207,869)
Recreation Enterprise Fund	\$0	\$0	(\$89,000)	(\$89,000)	(\$89,000)	(\$267,000)
Asset Sale Proceeds	(\$750,000)					(\$750,000)
<i>Adjustments to 5% Plan:</i>						
Roadway Reconstruction Override 2011	(\$499,545)	(\$512,033)	(\$524,834)	(\$537,955)	(\$551,404)	(\$2,625,772)
Accessibility Improvements Override 2019	(\$205,000)	(\$210,125)	(\$215,378)	(\$220,763)	(\$226,282)	(\$1,077,547)
Debt service, Town-owned Rental Properties	\$0	(\$13,750)	(\$13,375)	(\$13,000)	(\$12,625)	(\$52,750)
Net Non-Exempt Plan	\$8,625,705	\$9,165,746	\$9,563,098	\$9,925,085	\$10,421,175	\$47,700,809
Pro Forma Budget	\$173,671,213	\$182,347,677	\$190,836,500	\$200,269,834	\$208,632,128	\$955,757,352
Budget For Plan at 5%	\$8,683,561	\$9,117,384	\$9,541,825	\$10,013,492	\$10,431,606	\$47,787,868
Plan as % of Revenues	4.97%	5.03%	5.01%	4.96%	5.00%	4.99%
Variance From Budget	\$57,855	(\$48,362)	(\$21,273)	\$88,407	\$10,431	\$87,059

7. Frequently Asked Questions

A. Will this increase my taxes?

The increase in General Fund borrowing will not raise taxes. The Capital Budget is sized at 5% of the overall Town Budget. All capital projects, programs, and asset acquisitions must fit into that budget (the “5% Rule”).

The portion paid by the Water & Sewer Enterprise Fund may come from drawing down reserves. It is as yet uncertain whether it will affect rates.

B. Why should we spend money on the DPW Yard?

Parts of the facility are one hundred years old. No significant renovations have been done since the 1970s. The site is overdue for repair and improvements. Inadequate facilities do not meet industry and safety code standards.

In the past thirty years the Town has completed rebuilding or renovating the Robbins Library, the Police Station, all three Fire Stations, and all of the elementary and middle schools, while the Community Center (former Central School) and Arlington High School projects are in progress. It is the DPW Yard’s turn.

C. What would happen if we didn’t increase the DPW Yard project budget?

The DPW Yard project is proceeding within the authorized \$38.93 million budget. To afford this, in addition to eliminating “no impact” scope items, several “impact” scope items were cut. Notable among these are: interior and exterior work at Buildings C and D, the existing historic buildings that house and maintain the DPW vehicle fleet; and replacement of the culvert through which Mill Brook runs underneath the DPW site.

Currently, insufficient vehicle storage and maintenance space causes exposure to the elements and negative impact on operational efficiency and on the life of the multi-million-dollar capital assets (the fleet). Additionally, the regular flooding of Mill Brook has caused increasingly rapid deterioration of the culvert over recent years.

The expectation is that the DPW Yard could “muddle through” in the short term but would eventually need to come back to request that these impact scope items be addressed, likely at higher cost.

D. Will you come back again asking for more money?

Since the Special Town Meeting in Fall 2020, we have signed a Guaranteed Maximum Price for the project with the construction manager and would be increasing the total contingency to 10% of project budget, which should insulate us from further unforeseen costs.

E. Do we have to act now? Why not wait?

Recent price increases result from reduced supply (pandemic-related disruptions to production and supply chains) and increased demand (recovering economy and influx of federal funds for construction). While the first may abate, if anything we expect demand for labor and materials would increase further as more projects become eligible for appropriated funds and/or a federal infrastructure bill is passed. Thus, we do not expect costs will decrease in the foreseeable future. Also, choosing to do the impact scope items later would be more costly due to the need to stage contractors a second time, and would impose a second period of disruption on DPW operations.

F. What about the School Capital Repairs?

These costs will be borne by the Capital Plan. When the engineering study is complete and the costs of the school repairs are known, we will again make tradeoffs to fit these back into the Plan. Fortunately, we also anticipate an influx of “Other” federal funds: we believe that a portion of the funds that Arlington expects to receive from the American Rescue Plan Act will be suitable for capital expenses; e.g., school building HVAC upgrades.